



Date: October 16, 2012

To: Thomas Bonfield, City Manager

From: Germaine Brewington, Director of Audit Services

Subject: Transmittal of Claims Management Performance Audit (September 2012)

Executive Summary

The Audit Services Department completed the report for the Claims Management Performance Audit dated September 2012. The purpose of the audit was to determine the adequacy of specific components of the Risk Management and Safety Division's claims management function.

Background

The Risk Management & Safety Division of the Finance Department provides claims management, supports departments in occupations safety and OSHA compliance, and coordinates occupational health services. Claims processed at the City can be grouped into three major categories: General Liability, Workers' Compensation and Auto Liability. Workers' compensation claims account for 55% of the total number of claims processed.

The Risk Management and Safety Division have standard operating procedures (SOPs) that govern the claims process, which is the focus of this audit. The SOPs are: *S-206-On-The-Job Accident Report* and *S-201- Safety Program*.

The Risk Management and Safety Division staff do not process claims in-house. The City of Durham has entered into contracts with two third party administrators (TPA): Brentwood Services Administrators, Inc. and the North Carolina League of Municipalities. A Third Party Administrator (TPA) is an organization that processes claims and performs other administrative services in accordance with a service contract.

Issues and Analysis

The attached report details the objectives, observations, and results of the Claims Management Performance Audit dated September 2012.

Recommendation

The Department of Audit Services recommends the City Council receive and accept the Claims Management Performance Audit dated September 2012 as presented and approved at the October 22, 2012 Audit Services Oversight Committee meeting.

Attachment